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MEMORANDUM FOR NATIONAL SECURITY COUNCIL

**SUBJECT: Fourth Progress Report on NSC 104/2
"U.S. Policies and Programs in the
Economic Field Which May Affect the
War Potential of the Soviet Bloc,"
dated 23 April 1952**

1. Subject Report contains several statements critical of the coordination of intelligence and intelligence support generally in the economic field. The principal statements to this effect are to be found at pages 10-11, and 21-22, of the Report.

2. In my opinion, and in that of most of my associates in the various intelligence services, these statements inadequately reflect the quantity and quality of the intelligence support that has been afforded United States policies and programs in the economic field. Moreover, they fail to take account of additional measures to improve such support, which had been agreed upon as of the date this Report was submitted to the National Security Council.

3. The Intelligence Agencies of the Government are continuously working to improve their economic and financial intelligence respecting the Soviet bloc. The resources devoted to this effort, however, must bear some reasonable relation to the other high priority tasks on which our resources are focused. If due regard is given to the question of priorities and the inherent difficulty of securing information from within the Soviet orbit, it will be apparent that economic matters have received at least their share of intelligence support and that the amount and accuracy of economic information is better than average. Attention is invited to the list of National Intelligence Estimates and Economic Intelligence Committee studies, attached as Tab A. Each of the estimates and studies listed on this tab reflects a basic research effort, to which each of the IAC agencies contributed. Much additional information of a timely nature has been furnished the Economic Defense Advisory Committee (EDAC).

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4. Well in advance of the date of subject Report, it had been agreed in principle to create a special intelligence working group under EDAC, and CIA had informally agreed to chair and provide administrative and secretarial support for this activity. Future Progress Reports should correct this omission.

5. I would comment also on the reference in this Progress Report to alleged "glaring deficiencies" in intelligence relating to shipping. The Office of Naval Intelligence has furnished frequent and detailed publications and reports on all significant aspects of shipping to and from the Soviet bloc, as is illustrated by Tab B attached. In addition, CIA's Office of Research and Reports has also contributed a large number of specific studies in this field, which are listed in Tab C, attached. The Economic Intelligence Committee recently completed a joint survey with the British Joint Intelligence Board of the shipping situation regarding China. So far as I can ascertain, there is no lack of coordination here, either nationally or internationally.

6. Certain broad projects bearing on economic defense and a number of spot requirements have not been given overriding priorities, since to do so would delay other basic research programs designed to provide an essential and hitherto-absent foundation of sound intelligence on the Soviet bloc economy. These programs must go forward, and the existing allocation of effort is essential to permit them to do so.

7. I recommend:

(a) That future Progress Reports on NSC 104/2 reflect a more accurate appraisal of the information and intelligence support that is available in the economic field.

(b) That the specific additional requirements of NSC agencies be made known at the earliest possible moment. Every effort consistent with other demands will be made to satisfy them.

Attachments

EEB:jd; rewritten WBS:jd

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WALTER R. SMITH
Director

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